

26 February 2021

Kerjaya Prospek Group

FY20 Within Expectations

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4QFY20 CNP of RM27.8m lifted FY20 CNP to RM90m – in line with our and consensus full-year estimates. No dividends as expected. Management guided FY21E replenishment of >RM1.0b – in line with our RM1.2b target. While the current high steel price could pose as earnings risk for Kerjaya, management has indicated of steps to substitute rebars with other materials. On unchanged earnings, we maintain OP with SoP-TP of RM1.50.

Within expectations. 4QFY20 CNP of RM27.8m (+14% QoQ, -33% YoY) brings FY20 CNP to RM90m – within our and consensus forecast at 99%. No dividends as expected.

Highlights. QoQ, 4QFY20 CNP of RM27.8m was up 14% led by a 12% increase in revenue as works progress returned to a normal run-rate (except for two sites which were affected by Covid-19 infection). Unsurprisingly, FY20 CNP was down 40% YoY due to the unprecedented MCO/CMCO lockdowns.

Management introduces FY21E replenishment target of >RM1.0b, in line with our RM1.2b target. Target is backed by a tender-book of RM2b mainly comprising building jobs. **Construction order-book remains strong at RM3.5b (3.0x revenue cover).**

4Q20 net cash levels remained healthy at RM186m (vs 3QFY20 cash level of RM182m) and there were no receivables anomalies to suggest collection issues at this juncture.

Steel price risks. Kerjaya consumes c.50-60k tonnes of steel per annum. With existing steel prices (rebars) currently hovering at c.RM2,600-2,700/t against FY20 average of RM2,100/t (data obtained from MITI), we noted that construction margins could see compression should the high price (of RM2,700/t) persist till year-end. Our sensitivity indicates that this could impact Kerjaya's bottom-line by RM9-12m (7-9% of FY21E estimate). That said, management has plans to reduce the consumption of rebar in exchange for other substituting materials (i.e. BRC, high strength concrete) should the situation persist.

Keep FY21E earnings unchanged and introduce FY22E earnings of RM159m. Our FY21E earnings forecasts has already imputed the sub-optimum productivity anticipated for 1HFY21 (due to MCO 2.0).

Maintain OUTPERFORM on unchanged SoP-derived TP of RM1.50. This is anchored by its construction segment of which we have attached a PE multiple of 13x (at 3-year mean) on FY21E earnings. Continue to like KERJAYA for: (i) its strong replenishment prowess, (ii) stable net cash position despite growing top-line, and (iii) trading at an appealing ex-cash FY21E PER of 9x.

OUTPERFORM ↔

Price: RM1.15
Target Price: RM1.50 ↔

Share Price Performance



KLCI 1,581.54
YTD KLCI chg -2.8%
YTD stock price chg 8.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KPG MK Equity
Market Cap (RM m)	1,423.0
Shares Outstanding	1,237.4
52-week range (H)	1.29
52-week range (L)	0.78
3-mth avg daily vol:	1,176,539
Free Float	16%
Beta	1.0

Major Shareholders

Egovision Sdn Bhd	50.7%
Amazing Parade Sdn Bhd	20.5%
Employees Provident Fund Board	6.3%

Summary Earnings Table

FY Dec (RM m)	2020A	2021E	2022E
Turnover	811.0	1,113.6	1,388.0
EBIT	118.7	175.5	208.1
PBT	117.8	175.5	210.1
Net Profit (NP)	90.6	131.6	158.6
Core net profit	90.0	131.6	158.6
Consensus (NP)	89.8	139.3	169.8
Earnings Revision	n.a.	0%	NEW
FD EPS (sen)	7.3	10.6	12.8
FD EPS growth (%)	-40	45	20
DPS (sen)	3.0	3.7	4.5
FD PER (x)	15.6	10.8	8.9
FD BVPS (RM)	0.87	0.94	1.03
Net Gearing (x)	N.C.	N.C.	N.C.
Dividend Yield (%)	2.7	3.3	3.9



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Risks to our call include: lower-than-expected job wins, delay in construction progress and lower construction margins.

Result Highlight								
FYE Dec (RM m)	4Q20	3Q20	QoQ	4Q19	YoY	FY20	FY19	YoY
Revenue	248.9	222.2	12%	268.4	-7%	811.0	1055.3	-23%
COGS	-208.8	-187.1	12%	-210.8	-1%	-676.5	-838.3	-19%
GP	40.0	35.1	14%	57.6	-31%	134.5	217.0	-38%
Other Income/expense	12.5	14.5	-14%	3.0	314%	32.9	13.7	141%
Admin	-15.8	-11.8	34%	-8.2	93%	-48.6	-36.0	35%
EBIT	36.7	37.9	-3%	52.4	-30%	118.7	194.7	-39%
Finance costs	-0.2	-0.2	-2%	-5.7	-96%	-1.0	-8.8	-89%
PBT	36.4	37.7	-3%	46.7	-22%	117.8	185.8	-37%
Taxation	-8.6	-7.3	18%	-10.5	-18%	-27.1	-45.6	-41%
PAT	27.8	30.4	-8%	36.2	-23%	90.6	140.2	-35%
MI	0.0	0.0	550%	0.0	263%	0.0	0.1	-73%
PATAMI	27.8	30.4	-8%	36.2	-23%	90.6	140.1	-35%
Exceptional Items	0.0	-5.9	-100%	5.1	-100%	-0.6	10.5	-106%
CNP	27.8	24.5	14%	41.3	-33%	90.0	150.7	-40%
DPS (sen)	1.5	1.5	0%	2	0%	3.0	1.5	100%
GP margin	16%	16%		21%		17%	21%	
EBIT margin	15%	17%		20%		15%	18%	
Pretax margin	15%	17%		17%		15%	18%	
CNP margin	11%	11%		15%		11%	14%	
Effective tax	-24%	-19%		-22%		-23%	-25%	

Source: Kenanga Research

Segmental Breakdown								
External Revenue	4Q20	3Q20	QoQ	4Q19	YoY	FY20	FY19	YoY
Construction	248.6	220.2	13%	260.1	-4%	808	1006	-20%
Manufacturing	0.2	0.1	228%	0.2	-6%	0	0	33%
Property development	0.0	2.0	-100%	8.1	-100%	3	49	-94%
Investment	0.0	0.0	n.a.	0.0	n.a.	0	0	n.a.
	248.9	222.2	12%	268.4	-7%	811	1055	-23%
Operating Profit								
Construction	29.9	19.7	52%	31.9	-6%	80	122	-34%
Manufacturing	1.4	0.2	733%	0.9	46%	2	4	-62%
Property development	0.1	0.3	-51%	1.5	-91%	1	9	-93%
Investment	28.3	8.9	220%	-1.9	1582%	39	-1	5703%
Others	-1.0	-0.3	303%	0.0	3281%	-1	0	2164%
Elimination	-30.9	0.8	-4086%	3.8	-913%	-30	6	-575%
Total PAT	27.8	29.5	-6%	36.2	-23%	91	140	-35%
PAT Margins								
Construction	12%	9%		12%		10%	12%	
Manufacturing	646%	255%		417%		320%	1110%	
Property development	n.a.	15%		19%		21%	18%	
Total	11%	13%		13%		11%	13%	

Source: Kenanga Research

SoP Valuations			
Segment	Method	Value (RM m)	Per Share (RM)
Construction	FY21E of 13x (3yr mean)	629	1.31
Property	FY21E of 6x	43.7	0.04
Net Cash		190	0.15
Market Cap / TP		1798.8	1.50

Source: Kenanga Research

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Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div Yld (%)	Target Price	Rating
					Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.			
STOCKS UNDER COVERAGE														
GAMUDA BHD	3.36	8,445.5	Y	07/2021	15.9	15.5	14.0	1.0	0.9	6.2%	1.8%	4.17	OP	
GEORGE KENT (MALAYSIA) BHD	0.740	387.3	Y	03/2021	9.9	11.9	7.9	0.8	0.8	6.7%	2.2%	0.560	UP	
HOCK SENG LEE BERHAD	0.995	546.8	Y	12/2020	9.9	19.2	9.3	0.7	0.6	3.4%	1.0%	1.30	OP	
IJM CORP BHD	1.62	5,866.5	Y	03/2021	17.4	22.5	18.4	0.6	0.6	3.4%	1.9%	2.20	OP	
KERJAYA PROSPEK GROUP BHD	1.15	1,423.0	Y	12/2020	15.7	10.8	9.0	1.5	1.3	12.7%	3.2%	1.50	OP	
KIMLUN CORP BHD	0.765	270.3	Y	12/2020	4.4	31.9	5.9	0.4	0.4	1.2%	0.7%	1.30	OP	
MITRAJAYA HOLDINGS BHD	0.255	209.8	Y	12/2020	N.A.	21.3	13.0	0.3	0.3	1.3%	0.0%	0.215	UP	
MUHIBBAH ENGINEERING (M) BHD	0.950	459.3	Y	12/2020	12.0	N.A.	17.6	0.4	0.4	-6.1%	0.0%	1.25	OP	
SUNWAY CONSTRUCTION GROUP BHD	1.66	2,140.3	Y	12/2021	25.9	16.3	14.4	3.4	3.2	20.1%	4.2%	2.10	OP	
WCT HOLDINGS BHD	0.495	694.6	Y	12/2020	4.5	16.8	9.0	0.2	0.2	2.6%	0.0%	0.710	OP	
Simple Average					12.9	18.5	11.9	0.9	0.9	5.1%	1.5%			

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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